

Good performance to continue throughout '24F

03 July 2024



Re-initiate our coverage on Charoen Pokphand Indonesia (CPIN) with a BUY and TP of IDR6,075, which implies 31.6x '24F PE, as we expect better performance from CPIN in '24F on the back of higher demand with better average selling prices (ASP) of day old chicks (DOC) and live-birds (LB), with a much lower raw material prices; local corn (LC) and soybeanmeal (SBM), yoy. Moreover, CPIN' revenue and earnings reached IDR15.9 tn (+9.3% yoy/+9.8% qoq) and IDR711 bn (+195% yoy/+299.2% qoq) in 1Q24, with significant margin expansions yoy/qoq. All in all, we expect CPIN' revenue and net profit to grow by 6% yoy and 35.9% yoy, respectively in '24F, with a 100bps yoy net margin expansion. Currently, CPIN is trading at 26.4x '24F PE or slightly below its 5 years' mean PE.

Latest government' regulation: NFA regulation No.6/2024

The Indonesian government via its National Food Agency (NFA), has introduced and exercised its latest regulation (NFA regulation No.6/2024) on LC', chicken' egg and LB' reference prices since June, 20th 2024, which replaced the old ones (NFA regulation No.5/2022). Note that, the government' reference prices for LC, LB, and eggs, has helped to stabilize the LC', LB' and eggs' ASP in the market, which also helps the corn farmers and small chicken breeders. At the producer level, the latest regulation sets the reference prices for LB at IDR25,000/kg, eggs at IDR26,500/kg, and LC at around IDR4,200 to 5,000/kg, depending on the corn' water content (around 15-30% of water content). The regulation also sets the reference prices at the consumer level, for LC' at IDR5,800/kg (for corn with 15% water content), eggs at IDR30,000/kg, and LB' at IDR40,000/kg.

Better DOC and LB' prices supports performance

After a solid 1Q24 results, we think CPIN could continue its good performance further throughout '24F on the back of higher demand with better ASP of DOC and LB, with a much lower raw material prices (LC and SBM). Thanks to the government' culling program in 2023 and its latest reference price for LB', LB' ASP has reached IDR21,052 per LB (+0.7% yoy), and DOC' ASP has reached IDR7,450 per chick (+28.6% yoy), in May'24. Thus, we expect CPIN' revenue from its DOC and LB' segment could reach to IDR2.02 tn (+11% yoy) and IDR32.9 tn (+4% yoy), respectively in '24F. While, for CPIN' revenue from its feed and processed chicken (PC) segment, we expect them to reach IDR18.4 tn (+11.1% yoy) and IDR11.99 tn (+19.8% yoy), on higher ASP, respectively in '24F. As a result, we expect CPIN' revenue could reach IDR65.3 tn (+6% yoy) in '24F. While for 1H24, CPIN' revenue could reach around 50% of its total revenue in '24F.

Margin expansion on lower raw material prices

Thanks to this year' main LC harvest (in March-April'24) that has lowered the LC' ASP, a much lower SBM' prices despite stronger USD, and with higher sales, productivity and efficiency, CPIN has experienced gross, EBIT and net margin expansion in 1Q24. We also expect for the 2nd LC' harvest (on Sept-Oct'24) could be as successful as the 1st harvest. As for SBM, we expect the declining trend of SBM' prices would continue throughout '24F. Moreover, the LC' and SBM' ASP, has declined to around IDR4,900 /kg (vs around IDR6,000/kg in 2023) and USD350/tons (or below than its trailing 12months' ASP of USD409/tons), respectively in June'24. Thus, we expect CPIN' gross profit and EBIT to grow by 15.8% yoy and 23.1% yoy, with gross and EBIT margin to expand by 130bps yoy and 100bps yoy, respectively in '24F due to lower LC' and SBM' ASP. All in all, we expect CPIN' net profit to grow by 35.9% yoy with around 100bps yoy net margin expansion in '24F.

Solid 1Q24' performance

CPIN' revenue grew by 9.3% yoy/9.8% qoq in 1Q24 to IDR15.9 tn, due to higher demand with better DOC and LB' ASP. At the same time, CPIN' gross profit grew by 44.5% yoy/ 56.3% qoq and gross margin expanded by 330bps yoy/400bps qoq, on the back of lower LC' and SBM' prices. Thanks to higher productivity and efficiency, CPIN' EBIT grew by 116.1% yoy/687.4% qoq and EBIT margin expanded by 330bps yoy/570bps qoq. All in all, CPIN' earnings grew +195% yoy/299.2% qoq to IDR711 bn, with a 280bps yoy/700bps qoq net margin expansion, which came at 22.6% of our '24F and 22% of consensus' expectation.

Re-initiate a BUY with TP of IDR6,075

We re-initiate our coverage on CPIN with a Buy and TP of IDR 6,075/share, which implies 31.6x '24F PE or at +0.5 stdv of its 5 years mean PE. We think this year could be a recovery year for poultry sector, on the back of better raw material prices (LC and SBM), DOC and LB' ASP with higher demand yoy. Thus, we expect CPIN could grow its topline and bottom-line by 6% yoy and 36% yoy, respectively in '24F. Risks to our call includes: a) higher raw material prices (LC and SBM) than expected, b) unexpected diseases on DOC and live-birds, c) changes in government regulations on poultry sector, and d) stronger USD. Currently, CPIN is trading at 26.4x '24F PE or below its 5 years' mean PE.

Exhibit 1: Key Statistics

Year end Dec	2022A	2023A	2024F	2025F	2026F
Revenue (IDR bn)	56,868	61,616	65,295	69,481	74,052
EBITDA (IDR bn)	5,002	4,870	5,903	6,493	6,938
Net profit (IDR bn)	2,928	2,319	3,152	3,628	4,243
EPS (IDR)	179	141	192	221	259
EPS growth (%)	(19.1)	(20.8)	35.9	15.1	17.0
ROE (%)	11.1	8.6	10.9	11.7	13.1
ROA (%)	7.3	5.7	7.7	8.4	9.7
PER (x)	28.1	35.5	26.1	22.7	19.4
PBV (x)	3.1	3.1	2.8	2.7	2.5
EV/EBITDA (x)	17.9	18.3	14.9	13.4	12.3
Div Yield (%)	2.1	2.6	1.4	1.9	3.5

Source: Company, KBVS Research

CPIN IJ	BUY
Sector	Poultry
Price at 02 July 2024 (IDR)	5,075
Price target (IDR)	6,075
Upside/Downside (%)	19.1

Stock Information

Charoen Pokphand Indonesia Tbk (CPIN) is the leading company in Indonesian poultry sector that manufactures and distributes animal feeds, sells Day Old Chick (DOC), live-birds (LB), processed chicken (PC), poultry equipment, and others.

Market cap (IDR bn)	83,220
Shares outstanding (mn)	16,398
52-week range (IDR)	4,410-5,800
3M average daily vol. ('000)	6,264
3M average daily val. (IDR mn)	32,171

Shareholders (%)

Charoen Pokphand Indonesia Group	55.53
UBS AG	5.98
Treasury Stock	4.35
Public	34.14

Stock Performance



	1M	3M	12M
Performance (%)	(1.0)	(1.4)	(5.1)

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Exhibit 2: CPIN 1Q24 results

CPIN 1Q24 Results (IDRbn)	1Q24	1Q23	YoY	4Q23	QoQ	24F % to '24F	Cons' % to Cons'
Revenue	15,913	14,564	9.3%	14,487	9.8%	65,295	24.4%
COGS	(13,786)	(13,092)	5.3%	(13,126)	5.0%		
Gross profit	2,126	1,472	44.5%	1,361	56.3%	9,582	22.2%
Operating expenses	(1,079)	(987)	9.3%	(1,228)	-12.1%		
EBIT	1,048	485	116.1%	133	687.4%	4,854	21.6%
Profit before tax	867	243	256.8%	(350)	-348.1%	4,093	21.2%
Tax expense	(156)	(2)	6461.4%	(7)	2105.4%		
Minority interest	(0.1)	(0.4)	-79.7%	0	-118.9%		
Net profit	711	241	195.0%	(357)	-299.2%	3,152	22.6%

Margins (%)	1Q24	1Q23	YoY	4Q23	QoQ
Gross margin	13.4%	10.1%		9.4%	
EBIT margin	6.6%	3.3%		0.9%	
Pretax margin	5.4%	1.7%		-2.4%	
Net margin	4.5%	1.7%		-2.5%	

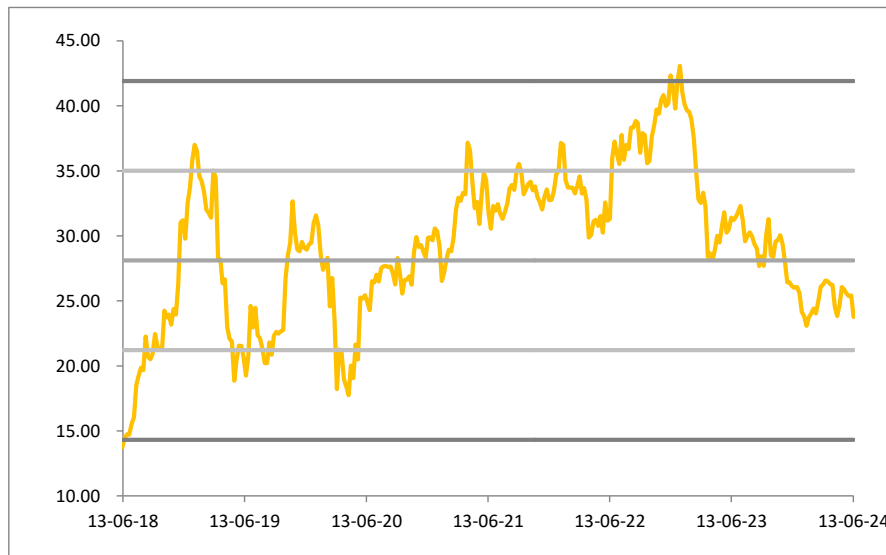
CPIN 1Q24 Results (IDRbn)	1Q24	1Q23	YoY	4Q23	QoQ
Feed					
Revenue*	12,726	11,991	6.1%	12,335	3.2%
EBIT	750	1,016	-26.2%	855	-12.3%
EBIT margin	5.9%	8.5%		6.9%	
Broiler					
Revenue*	9,514	8,298	14.7%	8,831	7.7%
EBIT	542	(283)	-291.4%	(562)	-196.5%
EBIT margin	5.7%	-3.4%		-6.4%	
Day-old chicks					
Revenue*	1,967	1,294	52.0%	1,524	29.1%
EBIT	(114)	(344)	-66.8%	(79)	44.2%
EBIT margin	-5.8%	-26.6%		-5.2%	
Processed chicken					
Revenue	2,988	2,113	41.4%	2,734	9.3%
EBIT	(102)	105	-197.1%	(136)	-25.4%
EBIT margin	-3.4%	4.9%		-5.0%	
Others					
Revenue*	1,893	1,638	15.6%	1,836	3.1%
EBIT	(17)	(2)	998.9%	49	-135.6%
EBIT margin	-0.9%	-0.1%		2.7%	

Note *: Before elimination

(Source: Company, KBVS Research)

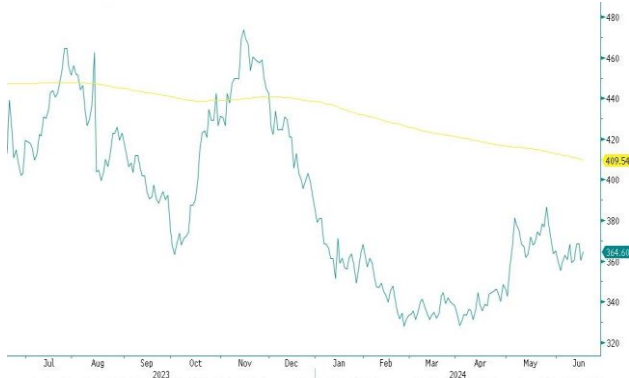
Source: Company, KBVS Research

Exhibit 3: CPIN PE Band



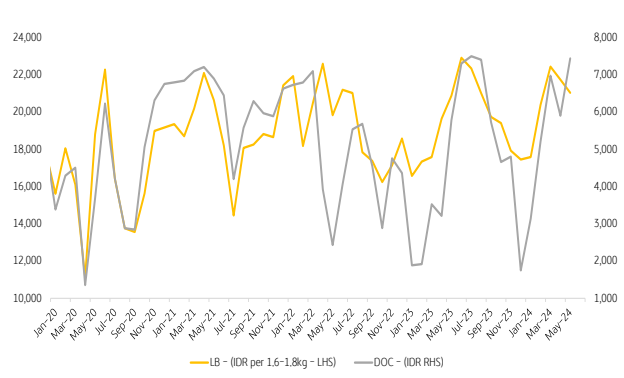
Source: Company, KBVS Research

Exhibit 4: Revenue and growth yoy



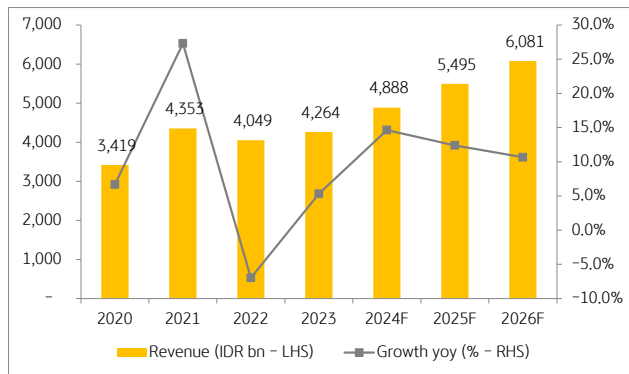
Source: Company, KBVS Research

Exhibit 5: Broiler & DOC' average prices per month



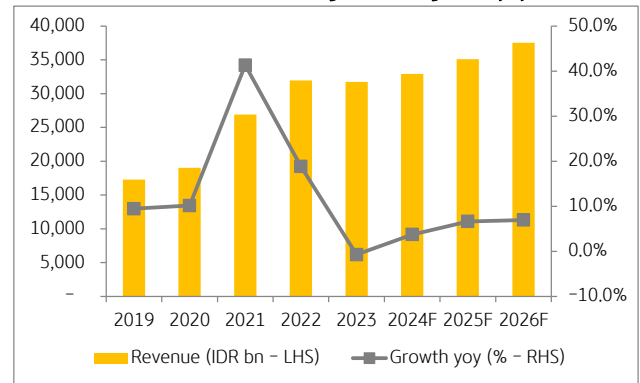
Source: Company, KBVS Research

Exhibit 6: Revenue and growth yoy



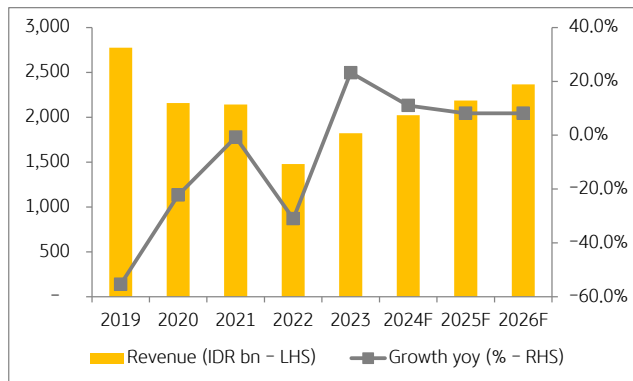
Source: Company, KBVS Research

Exhibit 7: Revenue from livebird' segment and growth yoy



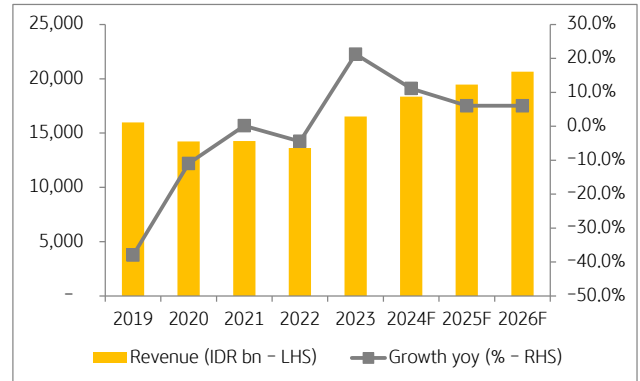
Source: Company, KBVS Research

Exhibit 8: Revenue from DOC' segment and growth yoy



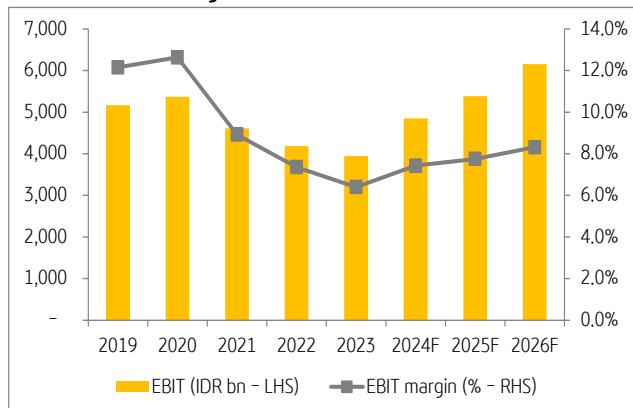
Source: Company, KBVS Research

Exhibit 9: Revenue from feed' segment and growth yoy



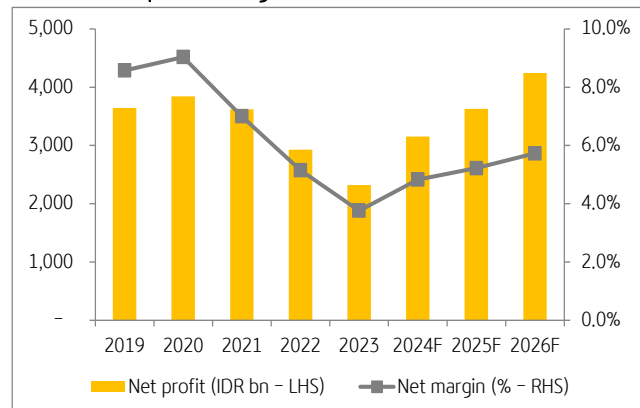
Source: Company, KBVS Research

Exhibit 10: EBIT & margin



Source: Company, KBVS Research

Exhibit 11: Net profit & margin



Source: Company, KBVS Research

Exhibit 12: Profit & loss summary

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Revenue	56,868	61,616	65,295	69,481	74,052
COGS	(48,724)	(53,341)	(55,713)	(59,076)	(62,597)
Gross profit	8,144	8,275	9,582	10,405	11,455
Operating expenses	(3,958)	(4,330)	(4,728)	(5,017)	(5,298)
EBIT	4,186	3,944	4,854	5,388	6,157
EBITDA	5,002	4,870	5,903	6,493	6,938
Pre-tax profit	3,537	2,997	4,093	4,710	5,509
Net profit	2,928	2,319	3,152	3,628	4,243
EPS	179	141	192	221	259
EPS growth	(19.1)	(20.8)	35.9	15.1	17.0

Source: Company, KBVS Research

Exhibit 13: Balance sheet

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent (with ST Investment)	2,042	2,328	1,368	1,765	2,939
Accounts receivables	1,553	1,708	1,835	1,917	2,043
Inventories	9,000	9,299	9,814	11,551	11,087
Others	5,169	4,990	5,370	6,213	6,032
Total current assets	17,764	18,325	18,387	21,447	22,101
Fixed assets - Net	17,628	17,690	17,605	17,341	16,854
Others	9,680	11,538	13,326	15,535	17,654
Total non-current assets	22,083	22,646	22,381	21,755	21,613
Total assets	39,848	40,971	40,768	43,202	43,714
Accounts payable	1,497	2,095	1,643	2,325	1,880
Short term bank loan	6,649	7,393	5,643	5,643	5,643
Others	1,963	1,636	2,180	2,408	2,544
Total current liabilities	10,109	11,124	9,466	10,375	10,067
Long term bank loan	2,312	1,841	1,354	868	382
Others non-current liabilities	1,099	978	927	887	854
Total non-current liabilities	3,411	2,818	2,281	1,755	1,236
Total liabilities	13,520	13,942	11,747	12,130	11,303
Minority interests	17	16	16	15	14
Total Equity	26,310	27,012	29,005	31,057	32,397
Total Liabilities & Equity	39,848	40,971	40,768	43,202	43,714

Source: Company, KBVS Research

Exhibit 14: Cash flow

Year End Dec (IDR bn)	2022A	2023A	2024F	2025F	2026F
Net income	1,386	1,264	1,508	1,721	1,903
D&A	(292)	(267)	(319)	(363)	(400)
Changes in working capital	218	258	304	346	390
Others	17	355	17	46	40
Operating cash flow	1,135	1,314	1,446	1,621	1,855
Capital expenditures	(952)	(639)	(892)	(928)	(965)
Others	111	2	40	17	6
Investing cash flow	(840)	(637)	(852)	(911)	(960)
Net change in debt	-	-	-	-	-
Cash dividends paid	(354)	-	-	-	-
Others	(26)	(16)	-	-	-
Financing cash flow	(881)	(530)	(504)	(649)	(938)
Net change in cash	(587)	147	90	62	(43)
Cash in beginning of the year	1,283	696	843	932	994
Cash at the end of the year	696	843	932	994	951

Source: Company, KBVS Research

Exhibit 15: Ratio analysis

Year End Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Revenue	10.0	8.3	6.0	6.4	6.6
Gross profit	0.1	1.6	15.8	8.6	10.1
EBIT	(9.2)	(5.8)	23.1	11.0	14.3
EBITDA	(15.8)	(2.6)	21.2	10.0	6.9
Net profit	(19.1)	(20.8)	35.9	15.1	17.0
Profitability (%)					
Gross margin	14.3	13.4	14.7	15.0	15.5
EBIT margin	7.4	6.4	7.4	7.8	8.3
EBITDA margin	8.8	7.9	9.0	9.3	9.4
Net margin	5.1	3.8	4.8	5.2	5.7
ROE	11.1	8.6	10.9	11.7	13.1
ROA	7.3	5.7	7.7	8.4	9.7
Solvency (x)					
Current ratio	1.8	1.6	1.9	2.1	2.2
Quick ratio	0.9	0.8	0.9	1.0	1.1
Debt to equity	0.3	0.3	0.2	0.2	0.2
Interest coverage	10.0	5.7	10.8	14.7	18.3
Net gearing	0.3	0.3	0.2	0.2	0.1

Source: Company, KBVS Research

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